KEIZAI DOYUKAI

March 19, 2024

Statement by Takeshi Niinami, Chairperson of Keizai Doyukai on BOJ's Drastic Monetary Policy Overhaul

1. At the two-day session of the Monetary Policy Meeting (March 18–19), the Policy Board of the Bank of Japan (BOJ) has decided to discontinue the negative interest rate policy, Yield Curve Control (YCC), and purchases of exchange-traded funds (ETFs) as well as Japan real estate investment trusts (J-REITs). BOJ is deemed to have shifted gradually to a framework where interest rates recover their functions, such as through flexible use of YCC. We understand that the BOJ's decision is a first step toward the normalization of Japan's financial market going forward.

2. BOJ is likely to search for a further exit strategy from the monetary easing policy, while keeping its accommodative stance for the time being, with an eye on the nation's economic conditions such as development of wage hikes and inflation. Japanese companies and individuals are to brace for the environment, sooner or later, where interest rates have meaningful impact on the economy.

3. First of all, real wage growth and its continuation are the key to the normalization of the financial market. As major companies are expected to realize reasonable wage hikes, we must watch whether that momentum will build up among SMEs as well.

4. Obviously, Japan's full-fledged economic growth will not come true only by support of monetary policy. Amid the worsening labor shortages, businesses must play a key role in improving productivity to secure funds for further wage hikes, thereby initiating private-sector-driven economy. Meanwhile, we request the government to formulate a roadmap for the minimum wage to rise up to JPY 2,000, and to implement an appropriate measure that promotes corporate renovation and labor mobility. These efforts will help businesses to have better visibility for the future.

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